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The Management REVIEW

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LEGISLATION to be passed by Congress in the months ahead may set the tone of our whole economy for the next hundred years; it may swing the country widely to the left, or return the free enterprise system—sidetracked during the war—to main-line operation. Which course is followed depends in large part on industry's relations with Congress. Walter Chamblin, Jr., points out in the feature abstract of this issue (**Know Your Congressmen**). More specifically, it depends on how well the individual manufacturer knows the legislators from his district and keeps them posted on his views, his problems, and the role his company plays in the home life of the community.

Thus far business men have been noticeably deficient in this respect. Whereas Congressmen are deluged with information and pleas from their labor and farmer constituents, rarely do they hear from industrial leaders—indeed, some Congressmen will admit they know few, if any, business men in their districts. This situation could be remedied, suggests Mr. Chamblin, if each business man mapped out a sound public relations program aimed especially at his Congressmen.

Another point at which industry has been delinquent is in failing to understand the technique of Congressional committee hearings. As a result, opponents of free enterprise have utilized such hearings as sounding boards for anti-business propaganda.

For some interesting sidelights on the members of Congress, and practical pointers on how to get a better law-making job done in Washington, turn to the opening abstract.

WHAT effect will disposal of more than a half million government-owned machine tools have on postwar industry, particularly on equipment manufacturers? Surplus tools may prove a blessing or bane, depending to a large extent on how the problem is handled. See pages 307-309 for an analysis of disposal plans.

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THE MANAGEMENT INDEX

General Management

Know Your Congressmen

AS the time approaches when government regulation of business is no longer needed and emergency controls adopted for the duration can be relaxed, men of industry must see to it that the system of free enterprise—put on a sidetrack for the war—will be returned to main-line operation. Industry must look to Congress to achieve this end effectively and, further, must furnish Congress with the information which will enable it to do the job. This requires knowledge of Congress and of your Congressmen.

What is Congress like? Too few business men know enough about it. The average business man may not know, for example, that there are 435 members of the House and 96 members of the Senate. Nor may he realize that there are 33 permanent committees of the Senate as well as 11 special committees. In the House there are 48 permanent committees, with six special committees.

It may seem that these committees and your business are a long way apart. But your business is directly affected by the actions of these committees. They can be either the birthplace or the burying ground for a legislative idea.

A Congressman is a human being living in a most uncomfortable way. His salary is \$10,000 a year. It is not enough to meet his many demands, and

yet most of his constituents look upon it as exorbitant. Out of this salary he first has to pay campaign expenses. Then he pays about \$2,000 in taxes. After that he has to maintain two homes, two offices, and keep two sets of friends—his constituents at home and his associates in Washington. His children are constantly shifted between schools in his district and in Washington.

The Congressman's constituents think he has the answer to everything and he has to try to live up to this reputation. If a House member, he is assisted by a secretary and one clerk. If a Senator, he has a secretary and from three to five clerks, depending on whether he is chairman of a committee. With this force, he is expected to know all that is said on the floors of both houses, all the details of some 5,000 bills before approximately 100 committees, and all the rules and regulations issued by governmental agencies. Obviously Mr. Congressman is not a gentleman of leisure; and to keep up on what is happening, he must take a briefcase filled with papers to his home every night.

A Congressman's first obligation lies with his constituents. This is the Congressman's big industrial relations problem. He will drop anything to keep this situation in order. As a result of constituent pressure on his time

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The average Congressman is compelled to obtain much of his information on catch-as-catch-can basis. He does not have much time for research. Useful information which reaches him without effort on his part is nearly always appreciated. That gives industry an opportunity for coordination with Congress where it counts the most—back home.

Here are some factors which every business man should be considering now:

1. Does he know his House members and Senators? (If not, he should get acquainted immediately.)
2. Has he informed his Congressmen of the types of war work he is doing and the number of people he is employing?
3. Has he informed his Congressmen of the amount of his payroll and what this means to district and state?
4. Do his Congressmen have any idea as to the size of his tax bill as compared to his profits?
5. Has he explained fully, in simple language, how renegotiation has affected the financial affairs of his company and how much his postwar reserves have been curtailed by renegotiation?
6. Has he discussed with his Congressmen the problems of reconversion and employment?
7. Do his Congressmen know anything about the type of patents he uses in his business and how they contribute to stability of employment in his district and state?
8. Has he spelled out to his Congressmen the effect of certain rules from Washington upon his business?
9. Has he explained to his Congressmen why industry is so anxious to have a speedy settlement of a contract once it has been terminated by the government?
10. Has he gone over with his Con-

gressmen the restraining effect of the Securities and Exchange Commission's rules and regulations on new venture capital?

If every company would map out a sound public relations program designed especially to keep its Congressmen informed of the part industry is playing in the home life of its community, wild rumors about business, which frequently circulate in Washington, would be scotched. Further, such a program would produce more intelligent hearings on industrial problems by the various House and Senate committees.

Here are some observations which members of Congress say should be borne in mind in connection with participating in any committee hearings:

1. Never be content merely to oppose a bill—always have a constructive proposal for sound solution of the problem.
 2. Know your subject. Before you appear at a hearing, acquaint yourself thoroughly with every aspect of the bill or proposal under discussion.
 3. Avoid demagoguery before a committee. It is resented.
 4. The best witness is the man who is doing the job—not somebody to whom he has told the story and who is paid to represent him.
 5. Get directly to the facts. Committees are not much interested in long discussions about the trends of the times.
 6. Get your story told to the committee itself. Any material inserted in the committee record is of little value unless you take the trouble to motivate it yourself.
- An additional point is this: Study the members of the committee before which you are to appear. And don't put off making preparations until the eleventh hour.

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Finally, keep these four important "don'ts" in mind:

1. Don't get "smart." An engineer testifying on a bill made a sneering reference to the Anti-Trust Act. He was asked to tell what he knew about the Anti-Trust Act and was forced into a display of ignorance that destroyed the value of his testimony on the bill.

2. Don't get off the subject. A member of a Congressional committee diverted an important business witness into a discussion of the German tariff system, and the witness never got back from Germany.

3. Don't assume a superior attitude. It never pays to have a chip on your shoulder. Congressmen are experts at knocking them off.

4. Don't become pugnacious and stand on your rights. You haven't any. You have only such privileges as the committee may give you.

It is also extremely important that a witness be direct; that his answers be clear and, if possible, extremely brief.

From *Know Your Congressmen*, by Walter Chamblin, Jr. (National Association of Manufacturers, April, 1944).

Some Aspects of Corporate Management

IN the last 25 years, much has been done in developing and training men in the essentials of business organization and management in order to bring about a better and more intelligent conception of the place of business in society and of the relation and responsibility of business and society to each other. During this period many companies have kept their stockholders informed by quarterly and annual reports, issued as promptly as possible, and by advertising and publicity to the general public. In the past decade this dispersal of information has been furthered by legislation creating the Securities & Exchange Commission, which adopted standards and rules for informing stockholders and the public of the operations and results of corporations listed on the exchanges. What conclusions about business organization can we draw from the experience of the past quarter century?

The Stockholders. The stockholders of some corporations now are numbered in hundreds of thousands, the large majority of them holding but a few shares. The market value of these holdings may range from \$50 to \$1,000.

Perhaps it would be better to encourage those who might otherwise become either small stockholders or employee stockholders to put their savings in savings banks or government bonds, or in investment trusts, in order to avoid the worry which accompanies a stock market decline and the excess of enthusiasm which usually occurs when the market goes up.

The stockholders elect a board of directors, and the directors in turn choose the man to head the operating organization and, in collaboration with him, choose the other principal officers. But the great majority of stockholders have only the haziest ideas about the functioning of the board or of the operating officers, and generally even those hazy ideas are wrong.

The Board. The board of directors can be made up in a variety of ways, but there are mainly three types, differing in concept and form: (1) All the directors can be salaried officers of the company, devoting all their time to management of the business. (2) Some of the directors can be salaried officers, with the number varying in proportion to the whole, and the rest

of them men not connected with the business but chosen, for diverse reasons, from the outside. (3) All the directors can be from the outside except two: the president, who is the chief executive officer, and the chairman of the board, who either devotes full time to the business as a salaried officer or, though salaried, devotes only part time to the business, including presiding at meetings of the board of directors. Each of these forms has its advantages and disadvantages.

When all the directors are salaried officers and devote full time to the business, they know it in detail. This is the only case where the directors actually manage and operate the business, and the president and chairman are chosen from among them. In essence this is a highly centralized form of organization, with a relatively small board of directors; the president really chooses the other directors (and the stockholders elect them), and he fixes the compensation of each and of himself. Such a form of organization increases the gulf between ownership and management, unless the officers own a substantial part of the stock of the company, which is rarely the case today.

Though directors who devote all their time to the operation of a business undoubtedly know it well, they may not have a broad and independent view of outside developments. Nor can it be expected that free and frank discussion of company policy can be had when the other directors owe their appointment and compensation to the chief executive officer.

The second form, where some of the directors are salaried officers devoting full time to the business and the others are from the outside, has the advantage of an outside and independent point of view, but also the weakness inherent in the compromise. It may produce a

strong and effective organization, however, when both officers and outside directors are owners of a substantial part of the business. Here the president is chosen by the board, and the rest of the company's officers are chosen by the president, who recommends the compensation each should receive. The officers sitting on the board therefore owe their jobs and emolument to the president and to that extent are not free men. The other members of the board from the outside may or may not have much voice in setting the policy of the company or reviewing its results; they are sometimes directors in name only and neither are active nor have an opportunity to be active.

In the third form the members of the board are stockholders but not in any sense controlling stockholders. They are interested in the business but do not give full time to the business or receive substantial compensation from it. While they are interested in the results, they have an independent and objective point of view. In this form of organization, even more than in the second one, the directors delegate the management and operation of the business to the officers. The president and possibly the chairman are the only men devoting full time to the business who are also members of the board.

Ideally, the following are the duties of any board:

(1) To elect—the officers not voting—outside certified public accountants, who will audit the affairs of the company, who will certify to the accounting methods employed and the results as stated in the annual report, and who will, if there is a profit-sharing or extra-compensation plan, certify to the total amount available for distribution to the officers of the company and others.

(2) To select the chairman and chief executive officer of the company; to consider and approve any recommendation for the appointment of the other officers of the company.

(3) To elect a salary committee from among its members to fix the compensation of the chairman and president and to consider and affirm the president's recommendations as to the compensation of the other officers of the company—no member of the committee to share in such compensation. This committee would report its decisions to the board for confirmation.

(4) To learn to know personally the principal officers of the company so as to be in a position to act intelligently and independently upon the recommendations of the president concerning promotions.

(5) To meet at regular intervals and consider the report of the president on the operation of the business, and to consider and act upon the recommendations of the president for extension and development.

(6) To be familiar with the products of the company offered to the general public and the advertising of such products.

(7) To visit the stores or factories of the company occasionally, with the purpose of becoming familiar with the places where new investments or expenditures are to be made.

(8) To elect from among the members of the board an executive committee, which will act in an emergency or when it is impossible to secure a quorum of the board.

(9) To appoint from time to time such other committees as are needed to facilitate the operation of the board.

Should the directors be stockholders? There is much to be said on both sides of this question. Many hold that a man with no financial stake in the company is in a more disinterested position than one whose capital is at risk: he acts then as an impartial trustee for the stockholders. In some companies, neither directors nor officers are stockholders. The law is not uniform in this matter; in some states directors must be stockholders, but not in others. The Securities & Exchange Commission requires that the number of shares held by each director must be stated in the proxy notice to stockholders; but there is no requirement of the number of shares to be held, and no requirement of a state-

ment that they are owned free and clear of debt.

In the writer's opinion, each director should be a stockholder. The Securities & Exchange Commission could require, as does the National Bank Act, that each director state the number of shares he holds in his own name free and clear of debt up to a certain number—say 100. He may hold more than this if he wishes, but it need not be shown; and indeed he may hold *less*, but in that case the number must be stated. As it is now, though many directors hold a certain number of shares free and clear in their own names, there may be in the names of other members of their families or in trust funds a larger number of shares, which represent risk capital for which the directors are directly or indirectly responsible.

Directors' Fees. The remuneration of each director should be a substantial fee for attendance at directors' meetings or meetings of committees of the board, in return for which he should be expected to keep in close touch with company policies and affairs. Depending on the number of regular meetings of the board and on the size of the company and the number of directors, the fee per meeting attended should be such as to give each director who attends all regular meetings of the board a total for the year of, say, approximately \$5,000.

Corporation Officers. The chairman should be chosen from the directors and should preside at meetings of the board. Whether or not he is to receive additional remuneration from the company depends on the time he is expected to devote to the business. Whether or not he should be an executive officer depends on the personnel, tradition and development of the organization. The chief executive officer

should be chosen by the board and be a member of the board, and he should report to the board from time to time on the operations and results of the company.

The compensation of the president, and of the chairman if he also receives compensation as an officer, is usually on the basis of their full-time effort and thought. In many corporations, therefore, they do not receive fees for attendance at directors' meetings, nor do they or other officers receive fees for attendance at directors' meetings of subsidiary companies. On the other hand, some hold—and there is a good legal basis for such an opinion—that the duties and responsibilities of a director are quite separate and distinct from those of an officer, and the officer who is a director should receive the same fees and emoluments as do other directors. Whether the officers of the company who receive compensation for all their active time, thought and services should be members of the boards of directors of other concerns is a question for the directors to decide on the basis of the value of such membership to the officers' own company, along with the related question whether in such cases the fees for attendance should be retained by an officer or turned in to the company.

In many companies which have a definite system of retirement at a certain age on pension, the retiring officer who has been a member of the board of directors also retires from the board. The wisdom of such a step has been debated vigorously. Some hold that, because of the experience and maturity of judgment of the retiring officer, he should be retained in the post of director. On the other hand, the contention is sound that when the officer retires from active service, he should also re-

tire as a director so as to leave the road clear for his successor to make changes in organization, methods or procedure without any interferences or implied criticism; even so, the retiring officer on pension of course should be available to the newly elected officer or the board for consultation and advice.

Should officers' compensation be made public? There is no valid reason from the standpoint of the public or of regulatory bodies why any salary or compensation other than the president's or possibly the chairman's should be made public, except where the Secretary of the Treasury must announce figures from income tax reports. However, for the past two years the S.E.C. has required that the compensation of each director and each officer receiving more than \$20,000 per year be stated in the proxy notice to stockholders along with the aggregate compensation of all officers. The names of the officers receiving the three highest amounts must be published, while the compensation of each of the other officers is filed and held in confidence by the Commission. The same purpose would probably be served by the issuance of a statement showing the aggregate salaries of the directors and officers. If such a statement showed the ratio of total salaries to total sales or total net profits, the stockholders might have some yardstick to measure the efficiency and economy of the company's administration. Furthermore, the percentage relation of the total compensation of the chief executive officer might also be stated, and in a great majority of companies it would be seen that the compensation of the *chief executive* was an infinitesimal percentage of net sales or even net profits.

Setting of officers' compensation. No two people, even in the same organization, much less the same community, will agree on the relative value of two men. They may agree that A is better than B; but on whether A is 50 per cent better, or twice or thrice as good, they will not agree. In the final analysis, it is therefore the responsibility of the chief executive to make such distinctions and recommend to the board for final approval the remuneration of the principal officers of the company. He may, of course, consult each man's associates. In some companies, each of the principal officers is asked to make a confidential rating of the relative value of his associates, so

that his ratings add up to 100—he may, if he wishes, rate himself.

The compensation of the officers and of the leading men in the organization, who are responsible for the success of the company, should be in the form of salary plus a share in the profits of the company, or of the department which the man directs. This share should be paid in common stock, at the market price on the day it is awarded. Such a plan not only provides security for the officer and heightens his sense of responsibility to the company, but in times of poor business assures fixed salary costs within modest ranges. By GERARD SWOPE. *Harvard Business Review*, Spring, 1945, p. 314:9.

What Road Is Forward in Social Security?*

By ELIZABETH BRANDEIS

IN the United States as elsewhere the extension of social security is a postwar aim on which virtually all shades of opinion agree. But on the amount, and more especially the character, of that extension there is plenty of argument. Basically the controversy turns on what role social security should play in our postwar political and economic order. Two assumptions as to our future society are generally accepted: that it will be built on a democratic political order, and on a "mixed" economic order, a partnership between government and private enterprise in the operation of the economy. But these common assumptions permit two rather different conceptions of social security and the role

it should play. These may be distinguished as the "distributional" approach and the "functional" approach to social security.

The distributional approach is the simpler of the two. A "mixed" system is seen as made up of two parts: private enterprise plus governmental supplementation wherever needed. Social security is seen as one very important supplement, designed to furnish socially provided income whenever for any reason people fail to receive income from private enterprise. It is thus to effect a partial redistribution of the national income, taking as much as is needed to provide a minimum income for all.

The Beveridge Plan exemplifies this

* An abstract of Chapter III of *Problems of the Postwar World*, edited by Thomas C. T. McCormick (McGraw-Hill Book Company, Inc., New York, 1945).

distributional approach. It calls for a unified and uniform system of social security. Those whose individual incomes fail are all to be entitled to the same benefits, regardless of the reason for that failure or of any differences in previous earnings. Generally speaking, benefits are to be unlimited in duration.¹ The cost is to be distributed as widely as possible, roughly half to come from general taxes, the other half from employers and employees through a single contribution, with no variation between workers on the basis of their earnings or between employers on the basis of the risks in their different industries or plants.² This plan carries out the distributional theory. Its single aim is to provide a substitute income at the subsistence level for all those who fail for any reason to earn individual income.

The functional approach, in contrast, calls for a more complex social security system, because it sees social security with a far more complex role to play. In the first place, it recognizes social security as one of the largest of peacetime government activities, hence bound to affect the character of our political order. If it were operated in a non-democratic manner, the democratic process would thereby be greatly weakened. This is especially relevant in considering whether or not social security should be made a completely national system. Next, the functional approach sees government in a "mixed system" with two roles to play: *regulation* of the private segment as well as *supplementation*; and it sees the two roles as inextricably intertwined. For whenever government ac-

tivity *supplements* private enterprise, it is bound to have a *regulating* effect for good or for ill. As an important government activity, social security will necessarily operate powerfully not only to supplement private enterprise but also to regulate it. Hence the importance of making sure that it provides the kind of regulation we want.

As regulation, social security should so far as possible promote maximum effort by private enterprise to reduce the economic risks that make social security programs necessary. For obviously a chance for the individual to earn income by functioning as an active member of the economy is better than socially provided income, however generous. It follows that social security programs should be differentiated on the basis of the risk against which each is directed and, where possible, should be so devised as to promote prevention as well as provide benefits. This makes for a complicated, pluralistic system, rather than the single all-embracing plan which the distributional approach suggests.

FUNCTIONAL ELEMENTS IN AMERICAN SOCIAL SECURITY PROGRAMS

As social security has developed in the United States, it has had many functional characteristics. It has recognized two classes of economic hazards: (1) personal hazards unconnected with employment, such as old age, death and non-industrial sickness (the latter as yet scarcely covered by social security); (2) industrial hazards incurred by wage earners, chiefly industrial accidents and diseases (fatal or non-fatal) and unemployment. Whether or not entirely conscious of the inherent difference between these two categories, we have on the whole treated them differently. Personal

¹ This according to Beveridge. The government program limits unemployment benefits to 30 weeks.
² Beveridge provided for a small extra contribution from employers for workmen's compensation in extra-hazardous industries. The government program wipes out even this slight vestige of proportioning premium to risk.

causes of insecurity have mostly been treated through programs stemming from poor relief—representing a recognition of society's obligation and responsibility. Industrial causes have been treated through programs that were regarded as a branch of labor legislation. They represented recognition of an enlarged responsibility and obligation of the employer. This accounts for fundamental differences in methods of financing and in the basis on which benefit amounts were calculated and rights to benefits determined.

Variation in size and duration of benefits as between different social security programs can also be explained functionally. If social security is to operate as part of a going economic system, not as an isolated refuge from that system, payments for work (as in WPA) or benefits based on prior employment (as accident and unemployment compensation) should, generally speaking, be higher than relief payments. Regional diversity also has a functional justification. Variations in old-age pensions, for instance, correlate pretty well with variations in per capita income in different parts of the country. As long as private enterprise is part of our mixed system, we can scarcely afford to destroy this correlation completely. Socially provided income must bear a relation to prevailing individual earnings; it should not rise above them.

Perhaps the most important functional element in American social security has been the use of merit or experience rating in accident and unemployment compensation; namely, the arrangement under which the individual employer's insurance premium or contribution rate varies with the risk in his individual establishment. Its use in accident compensation has been a powerful influence toward accident prevention and reduction in occupa-

tional diseases. In unemployment compensation it provides a strong incentive to the employer to stabilize employment as far as he is able.

FUNCTIONAL PATTERN FOR POSTWAR DEVELOPMENT

In the postwar extension of the American social security system, how can its functional character be preserved and strengthened? Not through a unified national system with experience rating abolished, all costs pooled, and all hazards treated alike. Rather the different hazards should continue to be kept separate and treated differently. And the funds should be kept separate too, because they should continue to be raised in different ways. Employer financing should continue to be used as far as possible in programs dealing with industrial hazards. Further, the system should not be completely nationalized.

The functional approach means considering each hazard separately³ . . . As for unemployment, there is rather general agreement that our future program should be threefold, composed of public work, assistance (or relief) and compensation. Perhaps the chief controversies over compensation concern: whether experience rating should be retained; how long benefits should last; and whether the program should be nationalized or remain on a federal-state cooperative basis.

To discuss experience rating: No attempt can be made here to demonstrate that it does promote steadier employment. Only two rather fundamental questions will be considered: (1) whether the individual employer can and should be made to carry the cost of unemployment compensation, and (2) whether steadier employment is or is not socially desirable.

³ This abstract covers only the discussion of unemployment.

The first question may be clarified by contrasting the distributional and the functional approach. According to the former, the provision of a substitute income for would-be wage earners when the economic system finds no use for them is properly an overhead cost of society as a whole. Society carries this cost, it is said, when compensation is financed by a flat payroll tax paid by all employers, because they shift the tax, probably to the consuming public (possibly to wage earners). This approach, of course, is opposed to experience rating.

The functional approach, on the other hand, aims to make provision against unemployment not a general social cost but an individual business cost—incurred if the individual concern lays off workers, avoided if it keeps them steadily employed. The role of society is merely to see that each business does actually carry this cost. But how can this be done? Can the individual employer be prevented from shifting the cost of compensation to consumers by raising his prices? The answer runs as follows: A tax measured as a percentage of payroll may be passed on to consumers only if it is uniform. Under experience rating, where some plants in a given industry avoid the tax by providing regular employment, the plants that have to pay it can scarcely pass it on; for their prices would then exceed those of their competitors. The tax has to be absorbed by the individual business concern. To be sure, if all the concerns in a given industry operate irregularly, then even with experience rating none get a reduced tax rate; and then the full tax may be passed on to the consumer because it is part of everybody's costs. But in that case the tax is shifted to the consumers of the particular product, not to consumers in general. In short, a payroll tax

which varies among industries and among individual concerns can scarcely be shifted in the general tax theory sense. It is bound to remain a true business cost which the business man seeks to avoid or reduce where possible.

Thus the use of experience rating in financing unemployment compensation is an attempt to make the price system do its job, to make the prices of specific articles reflect all their costs, neither omitting any nor including part of the cost of other articles. Since we use a price system as guide and regulator of economic activity, it should be as reliable as possible an indicator of true costs.

Second, would steady employment be a good thing in this postwar period? Might it not militate against full employment? Might not experience rating deter an employer from taking on extra workers because of the effect on his record if he should have to lay them off? This argument against steady employment and experience rating assumes that, because of our interest in full employment, society in general should do everything to encourage expansion and be ready to carry all the risks incurred. It would seem to rest on two misconceptions: (1) as to the effect of regularization; (2) as to the proper division of responsibility between government and private enterprise in a "mixed system."

(1) Regular year-round employment increases the purchasing power of workers; year-round utilization of plant reduces unit costs and presumably the prices of products. Regularization should thus enlarge the market and hence help, not hinder, full employment.

(2) As for the risk of providing unemployment compensation, the functional approach regards this risk (up to a reasonable limit) as properly one of the risks of operating an enterprise,

to be carried by the "enterpriser." Profits are paid for risk-taking. Of course, enterprisers can and should build reserves for this purpose (through contributing to compensation funds).

So much for financing unemployment compensation. As for duration of benefits, the Beveridge Plan, exemplifying the distributional approach, goes all the way and offers benefits as long as the worker is unemployed. The functional view is different. It sees unemployment compensation as a program financed by employers to provide against only so much unemployment as employers should be expected to take responsibility for. Though it may be difficult to decide on the precise maximum, it is clear that public work and assistance (or relief), financed by general taxation or perhaps by borrowing, must continue as stand-by programs for the long-time unemployed.

One final issue in unemployment compensation—whether or not it should be converted into a national program (presumably part of a unified national social security system). The functional argument against nationalization can only be indicated here. Nationalization is tied up in fact (and also, though less obviously, in theory) with the abolition of experience rating. Also it would put an end to diversity and experimentation and the making of advances wherever they can be made. Most important, it would make immensely more difficult, if not impossible, the active participation of employers and labor in the administration and further development of the program. Such participation can best be made effective in a program operated on the state level. A number of states have demonstrated how to operate unemployment compensation in this essentially democratic fashion, using

advisory committees or councils as an integral part of their administration and as a way of securing agreement between employers and labor on amendments to strengthen their laws. This is not an easy thing to do, but it is far more possible on the state than on the national level. If uniform standards and procedures were decided in Washington, there would be little scope or opportunity for such state or local advisory bodies. So the functional approach, with its concern for the democratic process, would leave much responsibility and opportunity in unemployment compensation and many other social security programs in state hands.

To conclude: The functional approach distinguishes between (1) insecurity due to personal causes and (2) insecurity that arises from the way the economy operates; because it believes that social security programs involving the second type can, through allocation of their costs, serve to improve the way the economy functions and thus help provide jobs rather than benefits. For the functional approach regards much of social security as a necessary evil; a palliative, not a cure, for economic ills. It sees the danger in our recent discovery (which the Romans made long ago) that it is relatively easy to provide "bread and circuses for the populace." Bread and circuses are not enough for the citizens of a democracy. At best, social action to take care of the individual is inferior to opportunity for that individual to take care of himself. As Justice Holmes once said, "To live is to function; I know no other meaning." Our real goal then must be not cradle-to-grave security, but opportunity for all of us to function as full members of society, as active participants in our economy and in our government.

Office Management

Layout Standards for Modern Offices

MODERNIZING office layout does not necessarily entail the purchase of new office equipment on the procurement of added floor space. The purpose of modern layout can be expressed simply: to make the best possible use of available space and, at the same time, provide satisfactory working conditions for the staff.

Use of established space standards provides a guide to planning layout, although such standards must often be modified to fit rigid space requirements. One nation-wide survey of space layout indicates that among companies in the same industry groups there are wide variations in allotments of space. In manufacturing, for example, the average number of square feet allotted per clerk was 93; the high, 248; the low, 31. Ranges in other industries were equally broad. After careful research, however, it was established that the ideal space per clerk in manufacturing, wholesaling, finance and merchandising, should be 50 square feet, and in insurance, banking and utilities companies, 60. These estimates take into consideration space for files, corridors, etc. The space for files should not exceed 15 per cent of the total figure if this standard is to be used.

Following are some of the factors which should be kept in mind when planning individual space standards: (1) size of desks; (2) arrangement of office furniture—are desks placed in rows singly, end to end, back to back, etc.? (3) size of the area; (4) shape of the space, intervening walls and partitions; number of doorways

and their placement; (5) size and location of service facilities, such as stairways, elevator wells, lobbies, wash-room, etc.; (6) other obstructions such as columns, pipes, radiators; (7) shape and size of bays and the placement of window openings; (8) space required for bulk equipment such as office machines, files, etc.; (9) lighting—adequate artificial lighting may make it possible to disregard the placement of windows, providing that the desks are not faced toward the light source.

Space is valuable and expensive. It should be utilized to best advantage. Clerical time is costly—usually much more so than space. Therefore it is economically sound management to find the best possible compromise for the sometimes divergent requirements of economical space utilization and satisfactory working conditions. Here are a few suggestions for making practical application of the principles of modern layout:

1. Assign as much space to each clerk, department head and executive as is necessary—no more.

2. If sufficient over-all space is available to allow a reasonable expansion factor, then see that this extra space is left vacant. Do not spread out the layout just to fill space; this will result in excessive spacing between desks, seriously interrupt any continuous flow operations and make the future use of the expansion space needlessly difficult.

3. If possible, always provide aisles between windows and the first and last rows of desks in large work areas. This eliminates complaints regarding excessive heat and drafts from open windows. It also makes various desk

locations more uniformly desirable to workers.

4. Clerks should have direct and uninterrupted access to aisles. If direct access is impossible (as when three or more desks are placed adjacent to each other) allow sufficient space between desks for the inside clerk to reach an aisle without disturbing others in the row.

5. Avoid facing clerks toward windows, glare from glass partitions, walls of a sunny court or nearby building if the walls are light in color or of a glazed material.

6. The source of natural light should be from the left if possible; this may necessitate facing clerks in two directions in large work areas which have windows on two sides of the room.

7. Place all files, machines, etc., as near as possible to the clerks who use them. Files should not be placed around the wall line unless physical conditions make such placement mandatory or unless there is dead-wall space available which is not desirable for the location of desks. In general, small groups of filing units should replace desks in the layout plan and be placed adjacent to the clerks who use them.

8. If desk sizes are not standardized, exchange furniture with other departments in order to get as many desks of the same or complementary sizes as may be required for any specific space unit of the layout. If possible, avoid using various sizes of desks within the same work area.

9. It is better to place a large department and several small ones in a given area than to put two large departments in the same area. One or more of the smaller departments can be moved more easily and with less disturbance than a large department to provide expansion space at a later date.

10. Once a new layout has been made, insist that no changes be permitted, except in an absolute emergency, for a period of at least 60 days. During this period many complaints about locations will disappear as workers become accustomed to their new surroundings. Necessary adjustments can be made at one time to avoid needless and annoying minor changes. If the original layout has been made carefully, few if any adjustments should be required after the waiting period.

Spacing between desks should not be less than 30 or more than 36 inches if each desk is adjacent to an aisle. If three or more desks are placed end to end, the spacing should be increased to 40 inches minimum, with a preferred maximum spacing of 48 inches.

The basic theory behind space computation for files and bulk equipment is that the space allowed should be adequate to provide for the equipment itself plus the room required to use it. For filing units this means that the minimum space should be that required for the unit with the file drawer fully extended. In large concentrations of filing units, it is usually most economical to place the files in rows facing each other. Space computations for other bulk equipment can be obtained by measuring the over-all area occupied by the equipment when arranged in operating position and adding the area required by the operator plus the area required for an access aisle.

Preliminary space estimates incident to a move from one site to an entirely new and as yet unidentified location require the use of somewhat different techniques than those previously discussed. Here the first problem is to determine the total area necessary to house the executive and clerical staffs and to break down this over-all figure into estimates of space required by the

executives, and space required for the clerical staff and its equipment. These estimates must be made, of course, before any negotiations can be started for the new site.

In small organizations—those with staffs of 75 or 100—the preliminary space estimates may be made as follows: Take the number of executives for whom private offices are required, and multiply by 150 square feet. Space required for executives and department heads not to be housed in private offices can be obtained by multiplying the number of such persons by 100 square feet. Then multiply the number of all remaining clerical workers by 80 square feet. If any considerable amount of space is required for storage purposes, add that space to the figures; also add any estimates of space required for expansion of present personnel within a period to be determined by the management. The total of these figures should give a working estimate of space required. Since the smaller office would be located in a leased space, allowance for service items such as washrooms, corridors, etc., need not be made.

For the larger office, consisting of 100 to several thousand persons, a quick preliminary space estimate can

be obtained by multiplying the number of persons on the staff by 100 square feet. Add the amount of space required for storage purposes and increase the total of the other two figures by 20 per cent to cover service facilities.

Detailed studies should be developed as rapidly as possible, coincident with the preliminary space estimates. All present space and equipment should be inventoried and tabulated to show the number of employees by department, the number of square feet occupied by each department, with the latter figure broken down into the space consumed by desks, chairs and aisles, and that required for bulk equipment. It is also helpful to indicate, opposite the departmental area figure, whether or not the present space is sufficient to provide proper working conditions.

Careful planning requires time, experience and skill. It also demands that executive decisions be made sufficiently in advance to insure good timing of the moving operations involved. The result—a modernized, functional layout—will eliminate confusion and waste, materially reduce costs and expedite action. By HAROLD C. PENNICK. *The Office*, March, 1945, p. 37:6 and April, 1945, p. 38:7 (published in two parts).

Morale Booster

THE neatest morale trick of the week undoubtedly is that developed by Aldens Chicago Mail Order Company. The management has installed a free scale near the company's lunchroom, a morale factor of some importance of itself. But that's only the beginning. The scale is one of those delightful contraptions that prints your weight on a cardboard slip it disgorges. Usually these slips do a bit of fortune-telling or horoscope-reading. And there are messages on the Aldens' cards too.

When employees look at their latest weight records, they find such messages as these printed on the reverse:

"You think your job could be done an easier way! Make your suggestion on a suggestion blank. If it's accepted, you'll get an award!"

"You think a lot of how to get ahead! Aldens thinks about you too and wants to promote you. When you see promotional bulletins, answer them!"

"You like holidays because they mean a day that's different from your ordinary routine. If it's New Year's Day, Memorial Day, Fourth of July, Labor Day, Thanksgiving or Christmas, it also means you will be paid for it at Aldens."

—Advertising Age

Eliminating Monthly Statements

THE wartime scarcity of experienced office workers has led many companies to examine clerical procedures with an eye to conserving precious time and effort. One practice which some concerns have considered dispensable is that of sending monthly statements to their accounts receivable.

To determine the number of customers who actually required monthly statements, Greenlee Brothers, Rockford, Ill., went through their ledger cards, and to all accounts, large and small, which had had postings within the preceding two years, they mailed a printed postcard reading:

"To expedite our accounting and reduce clerical labor to a practical minimum, we will hereafter NOT issue monthly statements of account EXCEPT to those who especially REQUEST and REQUIRE them. We ask that you please retain and preserve our invoices so that payment can be made WITHIN THE TERMS thereon specified.

"In the event that you require a monthly statement, please sign and return to us the attached card."

Out of more than 11,000 such notices, at least two-thirds of which went to active accounts, only slightly more than 300, or approximately 3 per cent, requested statements.

Customers of this firm are paying their bills just as promptly and with no increase in remittance errors since statements have been eliminated, and a tremendous saving has of course been realized.

—E. P. McNAMARA in *Credit and Financial Management* 5/45

Legal Advice to Employees

OF 251 companies reporting to the Conference Board in 1943, 36, or 14.3 per cent, were providing free legal service to their employees.

In most instances the legal aid supplied is informal or advisory only and relates to such problems as real estate transactions, wills, unwise instalment buying, or family difficulties. The employee is permitted to consult the company's legal department or, if the company has no legal department, the firm of attorneys that is retained by the company for its own legal matters. The following are illustrative:

Through arrangements made by its Employees' Association, a qualified attorney is available to employees of the Eastman Kodak Company, Rochester, N. Y., at the company's office for certain periods each week to consult with them on their personal legal problems. The service does not include preparation of any legal papers or any court appearances but is confined to legal advice. Appointments are made in advance through foremen, supervisors or the employment department.

The Duncan Electric Manufacturing Company, Lafayette, Ind., has arranged with a law firm to consult with any of its employees who wish to know how best to proceed in legal matters. Appointments are arranged through the employee's foreman, and the consultation fees are paid by the company. The service includes only office consultations. If services outside the office are required, the employee is informed that it will be necessary to make special arrangements at his own expense. Assistance in choosing a lawyer is given if desired.

—*The Management Almanac*: 1945

• TIME-SAVING SUGGESTIONS from the Continental Illinois National Bank:

(1) Recording and checking time is saved by starting a new series of numbers on numbered forms which have reached a high figure. (2) Drawing lines on typewriter is simplified by placing point of pencil or ink pencil on scale or cardholder and sliding platen across. When drawing vertical lines, typist should place point of pencil at the angle formed by the scale or cardholder or paper finger and turn platen. Some typewriters have holes punched in scale or cardholder to facilitate drawing of lines by this method.

—P. M. CARRICK in *Office Management Association of Chicago Bulletin* 4/45

Personnel

Techniques for Training with Visual Aids

AFTER the general plans for a program of visual aid teaching have been made, and after the materials and facilities have been obtained,* comes the need for competent technique in the art of teaching. Experience of successful users of training aids shows that there are a number of general rules applicable to all types of industrial training:

1. Remember that visual aids are what their name implies—*aids* or *supplements*. They cannot comprise a complete program in themselves. Build them into a program in such a manner that they fit the other parts. If skill is shown here, the parts will reinforce one another, and the impact of the whole will reach a maximum.

Thus after a general training program has been laid out with due regard for the relationship of the parts to one another—job training, induction, morale, and safety and health—there should be a specific program for each of these groups, as a series of “lessons,” following a logical and correlated sequence. For each lesson there will be a definite plan of action. The patterns will vary, however, according to differences in the general categories of training to which the lessons belong, and according to the specific problems and objectives of the individual lesson.

2. The teacher must know his business not only in a general way but also with regard to the specific problems of each lesson. This means that he must not only adhere to a well-organized outline for each lesson but must, in advance, become familiar with all ma-

terials to be used—especially the visual aids.

3. Take care to prepare the employees in advance, insofar as possible. A brief introduction, telling the audience what to look for, what to expect, and its purpose or significance, should precede each lesson. Frequently it is desirable to distribute in advance a questionnaire or a discussion to start the class thinking.

4. Remember that use of repetition and review is necessary to assure retention of the material. It is highly important, particularly in certain types of morale training, to change the appearance of a point before it is presented so many times that its repetition inspires boredom and suspicion. An oblique approach, for example, can occasionally be substituted for a frontal attack.

5. Take adequate precautions to avoid distractions. Check and prepare visual aid equipment so that there are no unforeseen delays.

6. Provide a sufficient number of recesses in every schedule. Remember that the mental effort of study produces fatigue, and that there is eyestrain both in reading books and in looking at projected pictures. A change of pace from projected aids to class discussion and then back to pictures is effective in relieving fatigue and holding interest. Provide at least one full break of 10 or 15 minutes in any half-day session; oftener if a “dry” subject is making a class restless.

Used in induction, visual aids provide the means of making new employees thoroughly acquainted with the company, its policies and methods.

*See “Planning for Visual Aids Training,” *THE MANAGEMENT REVIEW*, June, 1945.

Frequently it is possible to combine all the components into a single motion picture or series of slides.

The first induction session opens with brief introductory remarks by the person in charge to break the ice and make the new employees feel that induction is a personal rather than a mechanized process. Care is taken to explain why a visual aid is to be shown, and what the viewers should note particularly in it.

First, the aid contains a second note of welcome. Next some of the advantages of working in the company are explained by general references to wages, stability of employment, and opportunities for advancement. In designing this part of the picture and accompanying narration, remember that the appeal of security is greater than high wages, and that advancement opportunities run a close third.

At this point there is a favorable opportunity to introduce something about the purpose of the company—the function that its products perform in the nation's economic system. Something of the company's history also is helpful, especially if it tends to dispel unwarranted suspicions or corrects possible misapprehensions.

Effort is made to show—without being blatant about it—why the new employee can feel proud of his new association. The importance of the products, or their unusual nature, even the bigness of the company, are possible items in this category. This is followed by a simplified explanation of the company's financial situation, showing who gets what, especially the extent to which the employee benefits from the stockholders' investments, compared with what the stockholders get in return.

Next, the induction aid may reopen the subjects of wages, security and advancement opportunities from the

standpoint of the individual new employee, explaining these matters in greater detail. Finally, the aid goes into such details as the company's relations with unions, grievance procedure, schedule for paydays, locker accommodations, lunch-hour arrangements, deductions from pay checks, group insurance, workmen's compensation, and absenteeism and tardiness. On the next program the "high spots" of this showing are briefly reviewed. Part or all of this material is usually tied into some form of manual or other printed matter to be given to each employee immediately after the induction aid has been shown.

It is recommended that a whole series of possibly six or more safety-health subjects be presented in visual aid form before the new employee goes to his new job or into job training. The subjects include the importance of not neglecting injuries; elements of first aid; cautions against falling ladders, obstructions and improper lifting; cautions against unsafe wearing apparel, horseplay and fire hazards. This type of training will not be confined to new employees alone.

For job training of non-supervisory employees, visual aids provide a means of pre-familiarizing the learner with the methods, materials, and machines or tools which he will subsequently learn about more fully by the act of *doing*. Visual aids for job training are best designed and best used when they: (1) establish a recognition of the materials, methods and machinery to be used; (2) explain why those materials, methods and machinery are chosen; (3) show the correlation of these with other units of production—to give appreciation of the importance of quality workmanship.

Thorough job training with visual aids may follow a variety of patterns. One of the most successful begins with

a brief discussion of the subject of the particular session, by the instructor. Frequently it is possible then to pass around from hand to hand a sample of the material or machine part to be studied. The purpose of such handling is to help the learner recognize the same part or material a few minutes later when he sees it *in action* in a motion picture. With good technique, the instructor also takes pains to call attention of the class to all special details to watch for in the picture.

After the learners have seen the action picture of "what happens to what," an expert operator will make use of other visual aids such as slides, filmstrips, wall charts, models, or enlarged photographs, to cover each point in greater and more emphasized detail. Frequently it is advisable to conclude with some sort of written or oral examination at each stage of job training to rate the individual ability of the students and to indicate the possible need for further study or review.

The technique for using visual aids in foreman training or in an upgrading program basically differs little from that of training non-supervisory employees. However, good procedure in foreman training lays heavy emphasis upon the conference method rather than that of the classroom. The visual aid is used not so often to assert baldly "this is how we shall do it," but rather, "this is how certain experts say it ought to be done."

It is in the field of morale that the use of visual aids calls for unusual skill, both from producer and instructor. Development of an effective program for morale begins not with an examination of possible materials but with an examination of the problems to be met. The object is not only to ascertain which employee attitudes constitute problems but also to ascertain the soundness or unsoundness of the com-

pany's own attitudes or policies in respect to the same subjects.

If the director of morale training is to achieve maximum effectiveness in shaping the program, he will not only seek to discover any morale errors on the part of management but will also seek to have them corrected. Only when he has gone as far as possible in this line of action will he be at least partly on solid ground. Care must be given to the working out of *logical* arguments. After decisions have been reached as to what ought to be said, the search for suitable material begins.

Despite the excellence of numerous visual aid materials for morale, the range of subjects is incomplete and there are insufficient aids to permit hitting any one subject from many angles. To fill in the blank spots, the administrator of the program may have to develop some aids of his own. These may include a motion picture, a strip-slide film, or a set of slides. Even such items as these have a serious limitation in that it is undesirable to use them with the same group more than once.

The need for a never-ending follow-up system may be answered by preparing and using such visual aids as cartoons in the plant publication or on bulletin boards, illustrated booklets, and wall charts. The wall chart, for example, may show distribution of company earnings; or the company's record of stable employment may be represented by means of a pictograph.

The use of morale-building visual aids cannot be set up as a routine. The fundamentals involved may need little change, but their day-to-day application will depend on the ingenuity of the program director and his sound understanding of the issues involved. BY RICHARD R. TRYON. *Factory Management and Maintenance*, March, 1945, p. 115:5.

Equal-Pay Principle in Union Contracts

IN answer to the question as to what progress has been made toward rendering the equal-pay principle effective, the Women's Bureau of the Department of Labor recently announced the following results of a study of 80 union contracts covering 75,000 women: (1) One-half of the contracts contained equal-pay provisions; (2) one-half of the contracts had the same automatic progression for men and women; and (3) one-third of the contracts had the same entrance rates for men and women.

Of the contracts which contained equal-pay clauses, the survey also revealed that one-half had the same automatic progression for women and men and one-half had the same entrance rates for inexperienced men and women. Of the local union plant units surveyed, in one-half women said that not all of them were given the same opportunity for upgrading and promotion as men.

In comparing men's and women's average hourly earnings in manufacturing industries, the Bureau pointed out a study made by the Conference Board in 1944 which showed that (1) men's average hourly earnings were 50 per cent higher than those of women, and (2) men's average hourly earnings on unskilled jobs were 20 per cent higher than women's.

Although the principle of equal pay may have been established by an equal-pay clause in the contract, the Bureau's study indicated that this is not sufficient to prevent discrimination entirely. Discriminatory practices noted by the Bureau include:

1. Lower entrance rates for inexperienced women.
2. Unequal automatic progression—sex differential in rates from entrance to base rates.
3. Women not given the same opportunity as men for upgrading and promotion.
4. Breakdown of jobs which increases production and lowers costs but results in lowering rates and thereby undermining the rate-for-the-job policy.
5. Lower rates for women working in women's departments on jobs as skilled as many of the men's jobs.

The Bureau drew these conclusions with respect to what unions are doing to make the equal-pay principle effective:

1. They have largely abolished male and female classifications. In some industries where establishment of female classifications was due to historical discrimination against women, the gap between men's and women's rates has been reduced. In many instances it was not possible to close the gap because of war-time wage stabilization, which has not allowed increases in wages if they increased the cost of production.
2. Some unions have always maintained the rate for the job; others which have women members in large numbers for the first time have adopted this policy and accomplished much in putting it into effect.
3. In numbers of outstanding equal-pay cases where the differential was based on sex rather than job content, unions have been able to secure WLB orders which have brought women's rates up to those of men.

Women in unions, the Bureau stated, have increased in number from about 800,000 before the war to about 3,000,000 during the war period.

—*Labor Relations Reporter* 7/30/45

Labor Studies Postwar Problems

THE principal postwar research organization of the American labor movement, the American Labor Conference on International Affairs, was created early in 1943 by a group of union officials of the A.F.L., the C.I.O. and the Railway Brotherhoods. Since then it has organized many meetings of labor representatives, assisted the A.F.L. and C.I.O. in presenting to the government a united labor policy on questions of international scope, and issued a number of scholarly studies embodying the labor viewpoint on international postwar issues.

Among the publications of the Conference have been a number of *Occasional Papers* prepared on, or for, specific occasions, and several *Studies in Postwar Reconstruction* which embody the Conference's recommendations on long-range problems. Of more general interest are a quarterly magazine, *International Postwar Problems*, and a fortnightly news-service, the *A.L.C. News Letter*.

Production Management

Surplus Government Tools—Blessing or Bane?

TREMENDOUS quantities of equipment owned by various government procurement agencies have caused considerable concern to both their makers and users. How will they be used after the war? How sold? Will they aid industry, or be used in the operation of government plants? How will their existence affect equipment manufacturers, particularly machine tool builders?

From the standpoint of the machine tool manufacturers, the problem is eased to some extent by the fact that the surplus is about equal to the number of privately owned obsolete tools which need to be replaced. However, there still remains the problem of finding a market for brand-new tools. The solution would seem to lie in the development of innovations offering greater production economy or precision, which can be sold to replace even fairly modern machines and which can also be exported.

Allowing for the tools which the Army and Navy estimate they will retain (the Defense Plant Corporation and Maritime Commission are expected to offer most of theirs for sale), it is estimated that roughly 567,000 government-owned tools eventually will be available for purchase by private industry, and about 500,000 of these will be less than five years old. The rates of release will probably be slow at first, but the impact of the release may be gauged by the fact that industry owned only about 1,000,000 tools at the end of 1939, according to the *American Machinist's* 1940 Inventory of Metal Working Equipment, and about 70 per cent of these were over

10 years old. Taking into account purchases made since then, about half of which were probably for replacement of obsolete tools, it is estimated that today industry owns about 1,100,000 tools and that some 600,000 of these are over 15 years old. The government's surplus, then, is equal to about half of all the tools industry owns, and almost matches the number of obsolete tools.

It is apparent that the best market for surplus government tools lies in their potential replacement of industry's obsolete tools. Normal industry practice would indicate that about 500,000 old tools will be disposed of over the next decade, but undoubtedly the rate of replacement will be speeded by the availability of so many good surplus tools at low prices.

Unfortunately, the close mathematical balance between industry's old tools and the government's surplus tools has resulted in the circulation of many sweeping statements intended to provide easy solutions to the problem. For example, it is recommended that the nation's old tools be scrapped and replaced by the newer surplus tools. But the balance between obsolete tools and potentially surplus tools ceases at the mathematical point. When one examines categories of government tools, it becomes clear that the 90 or more major groups of items will not neatly balance against the obsolete tools in each group. In other words, more government-owned tools than obsolete tools will be available in some types, while fewer surplus tools than old ones will exist in other categories. This

means that disposal methods must be adjusted to types of tools.

Another point which often is overlooked is that many small machine shops will probably wish to retain their old machines, which prove satisfactory in repairing farm equipment and do similar odd jobs at low cost. In 1940, job and repair shops owned 50,000 tools, and about 30,000 of them were over 10 years old. In addition, there are small manufacturers of toys, novelties, household gadgets, and so on, who also use old equipment to produce satisfactory low-cost items. Small firms satisfied with such equipment are not particularly eager to replace it with newer tools. This sets aside perhaps 50,000 of the old tools the broad planners would like to destroy, scrap or trade in.

In any event, there are about 500,000 too many tools in the country today, and these will have to be worked off, probably by scrapping old machines, holding surplus tools off the market, channeling some surplus items through the original manufacturers, and exporting the pure excess. Government figures indicate that only about 41,000 surplus tools are special-purpose items, such as shell-turning lathes and rifle-reaming machines, some of which will not be readily adaptable to peacetime use. The balance, however, will prove usable in postwar manufacturing.

One selling plan, said to be under consideration, involves replacement of industry's old tools by newer surplus machines, and scrapping of the replaced tools. This would upgrade our productive equipment on a broad scale, and help reduce operating costs right along the line. Special discounts—as high as 25 per cent—on surplus tool prices have also been proposed, provided that purchasers scrap one old machine for each surplus tool bought.

Of course, this would provide a big advantage to firms with run-down equipment by enabling them to re-equip their plants at low cost, in contrast to their competitors who have paid hard cash for new tools.

Consideration is being given to exporting our excess tools, after all domestic needs have been met. But the tool builders warn that surplus tools should be rebuilt by their original manufacturers before being sent abroad, if our foreign tool market is not to be seriously hit. They point out that if faulty items were exported they would create unfavorable impressions of American tools abroad. Because of this, some observers feel that surplus tools should remain in this country to replace obsolete equipment, which then should be scrapped.

The common fear that small business may not get its fair share of surplus tools seems unwarranted in view of the very number of surplus tools, the low prices charged for them, and the availability of credit—purchases may be made from RFC with a 15 per cent down payment and the balance payable over five years at 4 per cent interest. Those so desiring can lease them (RFC is now leasing tools under a special war rate of 1 per cent of the tool's value in monthly rent or the regular commercial rate of 1½ per cent).

On May 24, 1945, the Surplus Property Board decided to allow the sale of surplus equipment to contractors in possession. This followed a joint Defense Plant Corp.-Army-Navy survey, which revealed that contractors in possession of government tools are willing to buy 25 per cent of them. The survey also indicated that large companies with over \$10,000,000 in such tools in their plants are interested in buying less than 5 per cent of them, while

smaller concerns with less than \$1,000,-
1000 worth in their plants are willing
to buy 50 per cent of Army-owned
items and 30 per cent of Navy-owned
tools. Since the latter group includes
all the small concerns with government
tools in their plants, survey results
scotched the fear that sale to contrac-
tors in possession would give an unfair
advantage to big business. Moreover,
the indicated excess, even after such
sales, leaves a substantial number of
machines available for sale to all
concerns.

This should help speed reconversion,
since many contractors will be able to
use promptly for civilian production
government tools in their plants with-

out waiting for government red tape
to unravel.

Up to the present, however, surplus
tool declarations have been slow, and
only a few thousand have been released
in the past seven months. Accordingly,
the liquidation task thus far has been
an easy and small one. But the fall
of Japan will intensify surplus releases
and complicate the disposal task. This
means that surplus authorities must
iron out their methods of procedure
over the next six months or so. Until
such time as disposal plans are fully
worked out, prospective buyers must
watch the situation carefully. By
BENJAMIN W. CORRADO. *Barron's*,
July 23, 1945, p. 3:2.

Surplus Salesmen

THE traveling sales representative whose profession nosedived into virtual
oblivion on December 7, 1941, is back on the road again with a new line of
goods—surplus war materials. His stock in trade is as diversified as it is unusual
—machine tools and typewriters, raw materials and intricate regulators, and hun-
dreds of other items which the vagaries of a wartime economy have placed in
his employer's hands.

The Westinghouse Electric & Manufacturing Company recently announced
that a corps of salesmen with loose-leaf binders listing materials declared surplus
because of changes in or curtailment of war contracts is now calling on other
manufacturers and jobbers throughout the country. Disposition of materials no
longer needed by the Army, Navy or Maritime Commission, and unadaptable to
the peacetime pursuits of the company, is being handled under the direction of a
Surplus Property Committee composed of three senior officers.

In the intricate process of disposing of materials declared to be surplus,
manufacturers work under the close supervision of Army, Navy or Maritime Com-
mission contracting officers. Once materials are declared to be surplus, three
definite steps may be taken:

1. Army, Navy and Maritime Commission circularize their own sources to
determine whether the goods can be used elsewhere.
2. If they exhaust their sources, they then give the company holding the
materials a period (usually 60 days) in which to dispose of them. During this
period the company may make its own bid for the materials, and, if it is accepted,
the goods may then be used or disposed of at will. At the end of the 60-day
period the war contract claim against the government is negotiated and settled.
3. If the surplus materials cannot be sold elsewhere and the company does
not want them, they may be declared scrap. Once declared scrap, the goods must
be sold as such.

In each of these cases, funds derived are kept by the company, but the amount
is subtracted from the final contract cancellation payments made by the government.

According to Westinghouse, a considerable amount of surplus goods has
already been disposed of in this manner, with sales handled by purchasing men
in the various divisions of the company.

—Advertising & Selling 2/45

Marketing Management

Will That New Product Click?

PRE-TESTING sales appeal means making what people will buy; avoiding what they won't buy. It means the elimination of slow-moving and non-moving goods. It means cost-cutting; it means better products at lower prices. It can be done by spending a little to save a lot.

There is no one sure way of pre-testing the salability of a product. The method of the test, and how extensive it will be, must be determined by the individual company according to the product to be scrutinized. Here are 10 methods currently employed alone or in combination by successful companies:

1. *Employees as guinea pigs.* Perhaps the reason so few companies use this pre-testing method is that it's free. True, employees don't make the best testers. They are often not a good cross-section; they're more likely to be prejudiced for or against a new product than outsiders. But some companies have found that splendid ideas on salability and product improvement can be obtained from their employees.

Du Pont's first testing of nylon stockings is a good example. Long before the product was put on the market, several thousand women employees were given a few pairs of stockings to wear. At the end of a few weeks they reported their findings in writing. On the basis of these reports, the company found that the stockings had appeal-plus, but that many technical improvements were still necessary.

2. *Making researchers out of salesmen.* A major aircraft manufacturer

tells how he used his salesmen as reaction-getters. He called them in one by one and said:

"We're considering making four completely different items postwar. Business consultants and product designers have told us that these are the best products for us to make. But we're working on a new sales system. Instead of dividing the men on a territorial basis, we've decided that each salesman will handle only one line.

"These are the four items. I want you to choose which you'd like to handle. Talk to your customers, your family, and friends. In a couple of weeks, write me a letter telling me which one you've decided on and why."

At the end of that period 20 salesmen stated their choices. Eighteen of them selected the same product. The manufacturer is still studying the report—but is willing to lay you odds of two to one that the salesmen's choice will be the company's chief product.

3. *Using dealers and jobbers as sounding boards.* Many dealers and jobbers are willing to let a company set up a test or will set it up themselves. In one type of dealer test, a leading biscuit company is conducting a survey to see whether crackers should be packaged in one of three ways: in a cellophane bag, in a tray covered with a cellophane wrap, or in a window box. Grocers are prominently displaying the packages to see which sell the best.

4. *Putting stockholders to work.* General Electric, Schenectady, counts on the bread-and-butter interests of its

more than 225,000 stockholders. Last year, together with a stock dividend and the annual statement, the company sent each stockholder a questionnaire. This showed by illustrations many of the questionable design points in various products and asked for preferences.

Stockholders were asked to vote on whether they wanted refrigerators with revolving shelves; to select one of five designs for a deep-freeze unit; one of four designs for kitchen units, etc. This is just a part of GE's program for product testing, but it brought many valuable results.

5. *Getting advice from professionals.* Trade and professional groups often offer good opportunities for product testing—although their opinions should not be taken as final. One manufacturer of garden shears combined professional opinions with consumer views in this way: A pair of the new shears was given to each member of three professional garden groups, and the members were asked to use them and give opinions. At the same time, salesmen and dealers tested the shears among actual consumers. The two tests were then studied together.

6. *Utilizing department stores, their buyers and customers.* Department stores offer fertile fields for product pre-testing. First, the opinions of department-store buyers should be obtained whenever possible. Cellophane Division of E. I. du Pont has really learned how to get buyers to work for it. By consulting buyers in varied department stores, du Pont was able to predetermine that cellophane wraps for white goods would increase sales appeals; that for other products they might be money wasted.

Proctor Electric Co., Philadelphia, uses department store customers as advisers to its product development

department. Recently the company set up an exhibit of eight possible toaster models in Gimbel Bros., in Philadelphia, and women customers were asked to vote on which model they thought had the greatest appeal.

7. *Testing through consumer panels.* One of the most debated topics among market researchers is the use of consumer panels. The advocates feel that the panels constitute splendid samples; opponents point out that as soon as an average consumer becomes a judge or critic of many products, he loses his amateur status and becomes a professional. In any case consumer panels do offer some advantages for pre-testing salability.

Panels range in size from 100 people to several thousand. Some are set up by private companies for their own use; others are established by magazines and professional groups. The panels set up by the national magazines often offer a free way for advertisers to test products.

8. *Keeping posted through mail surveys.* Among most active users of mail surveys to pre-test salability is General Motors. The Customer Research Staff of GM makes 20 to 30 surveys in a year—contacting over 2,000,000 owners of all makes of cars in all price classes, located in all sections of the country.

In some surveys the company may mail as many as 1,000,000 questionnaires, and in others only 1,000 or fewer. Questionnaires seek reactions to existing features of design, styling, equipment, etc., or solicit information on preferences in future models.

9. *Interviewing the people.* A few scattered companies have found that it is desirable to handle their own field surveys. They set up staffs, train field workers, develop investigating methods and questionnaires them-

selves. Sometimes they get their advertising agency to do the job.

Generally, however, most companies find this impractical. Few do enough of this type of research to justify the cost. Instead, most companies set up market research departments to direct the product testing and utilize outside specialists for the actual work.

10. *Having experts do the quizzing.* Extended use of professional quiz masters is one of the noteworthy developments in product testing. Marketing research firms say their 1944 business was up 15 to 50 per cent from 1943, and this trend continues.

These companies offer the wide experience, plus the best scientific methods for reading the customer mind. They find out consumer attitudes toward use of hard coal, predetermine the price and design of post-war cars, or prejudice acceptance of plastic nursing nipples.

Some surveys require only 30 interviews; others take 30,000 or more. Costs depend on amount of preliminary work required, the size of the sample, the tabulation and coding job. Average prices range from \$1,000 to \$10,000. *Modern Industry*, June 15, 1945, p. 40:4.

Is Cash Discount on the Way Out?

ATENDENCY to reduce or eliminate cash discounts is evident from an analysis of responses to the National Industrial Conference Board's queries on the subject. Cash discounts have frequently been a weapon of competition, and how far manufacturers may go in placing contemplated discount reductions in effect will no doubt depend on the degree of cooperation obtained from others in the industry. For the most part, any changes may be delayed until the OPA is dissolved, or at least until the OPA permits them.

Significantly, most of the companies reporting either no discounts or discounts at a relatively low level are producers of basic raw materials or capital goods whose customers are largely other industrial companies. Cash discounts occur more frequently and at higher rates where the manufacturers are selling consumer goods to retailers and distributors.

Out of a total of 122 industrial companies reporting, 20 have reduced or abolished cash discounts in recent years. Of 17 which have reduced discount rates, one has other reductions in mind and five more are considering abolishing the discount entirely. Of 15 others which are considering changes, four contemplate reductions in the discount rate, three are thinking about abolishing discounts, and eight are undecided whether to abolish the discount or merely to reduce it.

Of 108 manufacturers of consumer products, 21 have either curtailed discounts or given serious thought to doing so. Ten manufacturers reported discounts reduced in recent years, and four have abolished discounts. Five others have discount reductions under consideration, and another is thinking about abolishing the discount. Only one is undecided how far to go.

—The Conference Board Business Record 5/45

Salesmen's Reports—New Style

SALESMEN are notoriously poor writers. As a group they dislike to write; haven't much time for writing; haven't much ability at writing. But they can talk—that's why they are salesmen!

Bussmann Manufacturing Co., traveling 32 salesmen, enables its men to "talk" their reports. Each salesman has been equipped with a recording device that operates on the auto battery. The salesman simply sits down in his car, after each call, and dictates his reports. This may be common practice in the post-war era.

—Grey Matter

Financial Management

Present-Day Factors in the Annual Report

BEFORE the annual report is delivered to the stockholders, management will have to settle a good many problems growing out of the irregularities of wartime economy. The financial statement issued in this period of transition must be considered tentative in many respects, and finality in the expression of assets and liabilities at any given moment is difficult to achieve. The necessity of explaining in the financial statement the influences upon methods of operation arising from such factors as tax legislation, renegotiation, termination, wage disputes, and the like may stand in the way of achieving a simple, understandable report. Following is a brief discussion of some of the details about which question undoubtedly will arise.

First, the balance sheet should be kept as simple as possible, but should, of course, contain all items which in any way, affect the aggregate position of the company. Much has been said about the troublesome question of footnotes to balance sheets. These should be kept to a minimum and should be worded as simply as the subject matter will permit. Most accountants seek to avoid footnotes involving qualifications of such significance that the statements are actually amended thereby. The Securities and Exchange Commission has made known its attitude on footnotes of this character, and has, in instances, required actual money adjustments in the statements in lieu of extremely qualifying footnotes. Should management elect to present the balance sheet in condensed simplified form, it naturally follows that any footnotes deemed necessary should like-

wise be abbreviated and condensed as much as possible.

One of the most interesting developments in balance sheet presentation is the segregating of current assets and liabilities from the other real accounts. Considerable difficulty can be encountered in determining the correct segregation of current and non-current items under wartime conditions because of the mixed character of the asset accounts. For example, under cost-plus-a-fixed-fee contract accounting, many items normally considered non-current assets are reimbursable in cash. Included in this group are prepaid and deferred charges—an example of the latter being "improvements to leased properties." Normally such improvements are amortized over the life of the lease. If, however, specific war contract operations are carried on in the leased premises, it would not be inappropriate to charge off the improvements directly to the contract.

Strictly speaking, the amount recoverable in cash within the accepted period of currency can appropriately be classed as a current rather than as a non-current asset. Many more examples of this type could be cited. One of the difficulties, perhaps, is the fact that a period of time, generally taken as 12 months, is part of the basis of the definition of current assets and liabilities. Though an established convention, this is admittedly an arbitrary basis of segregating current and non-current accounts.

Banking and loan agreements often require the maintenance of minimum net current assets or a minimum current ratio, and there is sometimes a

conflict between the definition of current assets contained in the underlying agreements and that sanctioned under generally accepted accounting principles. In such instances the statements appearing on the stockholders' reports might not satisfy a banker reviewing them with an eye to compliance with the bank agreement. Elimination of the current assets section would resolve such conflicts as this.

Of current interest is the question of how termination claims should be displayed in the balance sheet. Questions may arise whether the claim should be considered a current or a non-current asset, whether the estimated profit should be included or excluded prior to collection of the claim, whether the amount of the claim should be separately disclosed, if significant in amount, and whether the claim should be set out if the amount thereof, through the application of a valuation reserve, for example, differs from the amount of the claim as filed with the government. In respect to the income statement, it may be asked whether the claim should be treated as sales income or whether it should be shown among the other income credits. Some termination claims may include allowances for overhead expenses which may be represented by prepaid or deferred charges in the balance sheet, and question may arise as to the effect of setting up a claim inclusive of such items if the prepaid or deferred expenses are not concurrently cleared.

The circumstances surrounding the specific claims and the policies of the company will have a bearing upon the answer to these several questions. It would seem desirable generally to reflect in the balance sheet all claims properly filed, showing them as current assets. If a claim is of such doubtful collectibility as to render it

non-current in character, it probably should not be included in the balance sheet at all. It would also seem appropriate to include the estimated profit at the time the claim is taken up in the statements, unless, in the interests of conservatism, the profit is to be deferred until the claim is collected. A general opinion seems to view the billing under a terminated contract as a sale of partially completed goods and, on such a basis, the amount of the claim could be appropriately included in sales. Separate disclosure of the amount of the claim would seem to be desirable, even though the amount may differ from the amount filed with the government.

In respect to renegotiation allowances, the government has stated that amounts shown in a balance sheet for such purposes are not regarded as commitments to repay similar amounts of excess profits. In line with this, it may be assumed fairly that displaying a termination claim in the balance sheet at a more conservative figure than the amount filed would not jeopardize its collection. Where a company acts as disbursing agent for a subcontractor's claim, it would seem desirable to include a liability to the subcontractor in the balance sheet. Certain advantage is derived from this practice in respect to possible renegotiation of excess profits.

The treatment of actual or contingent renegotiation liabilities in financial statements is now well understood by most companies. It is rather general practice to provide an allowance for possible refund of excess profits where reasonably determinable, and, as stated, this practice does not carry with it a commitment on the part of the company to settle for the amount of the allowance. Even where an allowance is made with the statement,

an explanatory footnote is usually presented. A collateral question which has arisen as a result of renegotiation is concerned with the effect of the subsequent profit reduction on payments of compensation to officers and employees under a profit-sharing plan. The effect of renegotiation on contractual liability to officers and employees, as well as on possible violation of salary stabilization rules might well be considered.

The use of the term "capital surplus" and the question of segregation of surplus accounts generally has come in for increasing discussion in recent years. The term "capital surplus" has been challenged as ambiguous. The ambiguity can be avoided, however, by explaining the exact nature of the credits comprising the total capital accounts other than capital stock. Sometimes the composition of the surplus accounts is quite involved, and explanations may be necessary.

The treatment of items appearing in the statement of operations is frequently interdependent with the related balance sheet item, and many of the points mentioned above usually will require consideration in the income statement.

It may be stated fairly that the income account is of greater importance than the balance sheet in annual reports to stockholders. The capacity of the company to earn money for its owners is best determined through a study of past and present income and by analysis of the trends of sales and costs.

Another reason for emphasizing the importance of the income statement lies in the fact that the balance sheet is not a statement of definite values. It is, at best, a summation of estimates and management judgment, and should be regarded objectively as a summary

of those values available for the realization of future income. Whether the earning power of the company has been maintained is of primary interest to the stockholder, and without the income statement or without display of operating ratios based on the income statement and the balance sheet, it would be impossible to answer this query in the annual report.

There seems to be a definite trend toward simplification of income statements included in annual reports to stockholders. Many large companies group all income accounts under the single head, "Sales and Other Income," and show all expenses, including income taxes and deductions from income, under a few major captions, with the difference between the total income and total expenses shown as net income. There is certainly no objection to this type of statement if all unusual or extraordinary items are shown. The operating statement to which the individual accountant's opinion is directed is usually a more detailed one, and the simplified statement referred to appears more generally in an earlier section of the report.

The principal justification for a simplified statement of income probably lies in the theory that the average investor or stockholder merely looks at the net income figure, and the further theory that there can be no net income until all charges have been deducted.

Because of the unsettled character of income tax liabilities and the incidence of many tax adjustments affecting years other than the one reported upon, accountants are giving increased consideration to the presentation of statements where the income tax liability is so set up as to bear a reasonable relation to the net income figure immediately preceding it in the

income statement. If retroactive tax adjustments in significant amounts have occurred during the year, the simplified form of income statement might not be appropriate. This trend toward the allocation of income taxes involves the application of an estimated portion of tax increases or reductions to the times to which they apply. For example, if an extraordinary credit which serves to increase the tax liability for the year appears in the surplus account, the related portion of tax may be allocated as a reduction of the surplus credit and not included in the total tax provision appearing on the statement of income.

A subject of continuing interest is the matter of including operating charges and credits in surplus ac-

counts. A very sound principle of accounting encourages the removal of these entries from the surplus accounts for inclusion in the statement of income. If they are of such significance as to distort the income statement, the problem can be solved for purposes of the annual report by using the form of statement in which the surplus analysis appears immediately below and is made a continuing part of the statement of income. Under conditions resulting from a wartime economy, the operating results of any accounting period must be considered tentative, and the separation of extraordinary adjustment on the basis of the period to which they apply loses some of its significance. BY ROBERT S. WARNER. *The Controller*, March, 1945, p. 128:5.

Insurance

Fire Protection for the Plant Office

NUMEROUS recent fires in offices adjoining factories have resulted in staggering financial losses and destruction of irreplaceable records. These fires raise the question—which, in some unfortunate cases, is asked too late—of what is needed for adequate plant office protection. It is not safe to neglect protection in the mistaken belief that there are few or no fire hazards. Safety of vital records, and the smooth functioning of the plant organization, call for every reasonable safeguard.

Even if your office is "fireproof," you need automatic sprinklers. When they stand guard fire damage is small, and normal operations suffer little interruption. A recent fire in a concrete building which was not furnished with

sprinklers caused \$37,000 worth of damage to wooden furniture, partitions, flooring and air-conditioning ducts. Further, a study of 303 fires during the past 15 years indicates that six times more damage occurs in offices without sprinklers than in those with sprinklers.

Careless smokers caused nearly 38 per cent of the fires, electrical defects nearly 30 per cent, and the remaining 32 per cent were attributed to miscellaneous causes. Here is how some of the fires actually started: A lighted match or cigarette was thrown into a wastebasket; a lighted match was used to read labels in a stockroom; a worn cord on an electric machine short-circuited; steel wool used for cleaning at a floor plug caused a short circuit

which ignited flammable vapors; oily cloths, rubbish and waste paper produced spontaneous combustion; the sun's rays ignited a pyroxylin deskpen. Fires which start during working hours may be discovered promptly and extinguished, but those which break out at night gain considerable headway.

No loss arising from an office fire is more keenly felt than the destruction of vital records. Protection of records should be planned on the assumption that the building will be completely destroyed or, if it is "fireproof," that the combustible contents will be wholly consumed. Some records can be duplicated, and the copies should be kept in another location. Microphotography is adaptable to many types of records.

Specifications of office safes should be based on the potential fire severity of the particular location. Safes are commonly rated as of one, two or four hours' resistance, based on a standard test fire similar to one which would develop in a combustible building and finally destroy it completely.

Insulated files and cabinets provide reasonable protection only where the possible fire exposure is slight. Ordinary uninsulated steel cabinets are not intended to protect records against fire; their value, like that of any steel furniture, is that they reduce the amount of combustible material and thus help to retard fire.

Vaults are commonly provided in most plant office buildings. They must be of substantial construction so that they will not transmit a dangerous amount of heat, and *structurally independent* of the main building so that they will not be torn down if the building itself collapses during a fire. The protection of the door opening is important. An ordinary steel-plate

door will not suffice. The door should be a type that has been tested and rated for specific fire exposures.

Recently two plant office fires occurred during which the entire vault contents were destroyed because the doors were left open. In one case the practice was to leave the doors open. There were 200 employees in the office at the time, but apparently no one had been instructed to close the doors in case of fire.

By all means make sure that valuable records will be in the proper place when fire occurs. (1) Keep the records in the vault except when they are actually being used. (2) Keep vault doors shut when vault is not in use. (3) Hold "record drills" to make sure that records will be put away quickly in case of fire, and that doors of vaults, safes or cabinets will be closed before the building is vacated.

Where machine tools and other equipment are stored in an outside yard, and are without sprinkler protection, ample hydrants should be available, all possible ignition sources eliminated, and the storage subdivided into small piles, with adequate aisle space between.

For the weekly inspection of sprinkler valves and other fire-protection equipment, one company uses a small-scale print which shows the building outlines and the number and location of all sprinkler valves, hydrants and fire-doors. On the same print are the usual questions and space for recording the inspection data. The advantage is that the men making the inspections become thoroughly familiar with the layout of the plant fire system.

Water used in fire fighting is bound to do some damage, but much of it can be prevented by placing susceptible

goods on skids, several inches above the floor. One furniture plant learned the value of skids from experience. After losing about \$6,000 worth of upholstery materials from water on the floor, the management ordered that materials be placed on four-inch skids. In two subsequent fires there was little or no water damage.

Some companies have provided them-

selves with outside fire pumphouses and reservoirs in areas where quantities of public water are limited. One company reservoir has a capacity of 300,000 gallons, and the adjoining pumphouse has two 750-gallon-per-minute centrifugal pumps, so that if one pump is out of service the other will be available. *Factory Mutual Record*, February, 1945, p. 3:4.

Book Notes

[Please order directly from publishers]

MANUALS FOR EXECUTIVES AND SUPERVISORS. Policyholders Service Bureau, Metropolitan Life Insurance Company, New York. 56 Pages. Gratis. This report shows the extent and the manner in which manuals are used for presenting fundamental information on responsibilities, company policies or procedures, etc., to executive and supervisory staffs. The report, which is based on an analysis of the manual practices of 52 companies, provides a helpful basis for initiating or improving a manual program.

BIG DEMOCRACY. By Paul H. Appleby. Alfred A. Knopf, Inc., New York, 1945. 197 pages. \$2.75. A defense of the peculiarities of bureaucratic functioning in government. Mr. Appleby believes that a large bureaucracy is essential under a democratic political system such as ours.

A DETAILED SYSTEM OF PRODUCTION CONTROL. By W. G. Davis. Institute of Industrial Management, 136-138 Queen Street, Melbourne, Australia, 1944. 64 pages. 10s. 2d. Outlines a production control system in use in a manufacturing organization of one to two thousand employees. Includes illustrations of the mechanisms of production control as applied in the Australian aircraft industry.

THE OUTLOOK FOR WOMEN IN OCCUPATIONS IN THE MEDICAL SERVICES. *Bulletin 203*, Women's Bureau, U. S. Department of Labor, 1944. For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (Issued in two parts at 10 cents each: No. 1, "Physical Therapists," 14 pp.; No. 2, "Occupational Therapists," 15 pp.) These two pamphlets discuss the prewar situation, the wartime changes, and the postwar outlook for women in two of the occupations in the field of medical services, in which women in 1940 composed almost two-thirds of the workers.

LOCAL PRODUCTION CONFERENCE

A Local Production Conference of the American Management Association will be held on Monday and Tuesday, October 29-30, at the Palmer House, Chicago.

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